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K mart's Aggressive Plans Call for $40B Sales by 1995

By Don Longo

TROY, Mich. — K mart Corp. is moving ahead aggressively with plans to exceed $40 billion in retail sales by 1995.

Those plans include:

- Opening more, and larger, K mart stores;
- Boosting inventory turns by at least 0.25 turns chainwide yearly over the next five years;
- Relying on its specialty retailing division to contribute a greater share of sales and profit growth;
- Fine-tuning its marketing and advertising program to spotlight merchandise unique to K mart, like Martha Stewart and Jaclyn Smith products, as well as lower prices on 8,000 items in the stores;
- Instilling in each of its 350,000 employees a mission-

(Continued on page 81)

'We intend to run stores which help Americans attain the quality of life guaranteed in the American dream sooner, better and more conveniently than anyone else.'
—Joseph Antonini

IMRA Speakers Advise: Change With The Times

Fewer Chains, But More Execs Meet, Greet at Orlando Show

By Richard C. Halverson

ORLANDO, Fla. — As it could be expected from a convention themed "Directions Today and Tomorrow," change proved to be the dominant theme of this year's gathering of the International Mass Retail Association.

The continued decline in the number of chains represented left many exhibitors griping again about the lack of retailers in attendance.

This year, their complaints appeared more valid than ever, as consolidations, dissolutions and Chapter 11 bankruptcy problems helped trim the number of chains represented to 46 from 57 in 1988.

The number of retailer executives registered to attend actually gained a tad, however, to 160 from 157 last year.

In a change for IMRA itself, William L. Atkinson, chief executive officer and president of Towers Department Stores, based in Ontario, Canada, became chairman of the board. He replaced Stephen Goldberger, chairman and ceo of Hills, who served for two years as IMRA chairman.

Speakers at various general sessions and seminars also emphasized the changes affecting the U.S. retailing scene as well as the world economy.

"The balance of the 20th century will witness, absolutely, the most competitive retailing environment anyone in this room has ever witnessed," said Larry M. Parkin, K mart executive vice president for warehouse and grocery operations.

Speaking in general session, Parkin predicted that "consolidation of retail name plates under fewer corporate mastheads will continue, and,

(Continued on page 81)

Outgoing chairman Stephen Goldberger thanked the IMRA membership for their 'faith' and support during the last two years. (DSN photo)

CE Continues Explosion in 1988 Fueled by Color TVs, Fax, Audio

By Peter Hisey

WASHINGTON — The CE explosion continued unabated in 1988, accounting for $30.6 billion in factory sales worth about $43 billion at retail, according to an annual report issued by the Electronic Industries Association.

Color televisions accounted for $6.6 billion of the factory sales, with VCRs the second-most lucrative product at $5.1 billion. Audio equipment, spurred by increasing CD player, personal stereo and car stereo sales, also increased sharply, offsetting slumping home radio and blank tape sales.

Despite the increase in color TV features (screen-within-screen, remote control, MTS, etc.), larger set sizes (including popular projection models) and shortages of bottom-end sets, the price per unit held steady at about $325 apiece at wholesale.

Real-dollar expenditures at retail for television sets have been declining steadily in recent years, while consumer prices as a whole have been rising, making television a relatively good buy, the report concluded.

Stereo television sales rose to $2.5 billion, from $2.2 billion in 1987 and $208 million in 1984, and it seems that with the increase of stereo broadcasts and a build-up in home audio/video centers, the option is on its way to becoming standard equipment.

(Continued page 59)

Expanded CE Coverage:

Summer CES Preview page 19
CE Specialty Chains page 67

Schottenstein Wins Bid for Dry Goods

Five Philadelphia Units Will Reopen as Value Citys

By Kenneth M. Chanko

COLUMBUS, Ohio — Schottenstein Stores Corp., which owns the Value City general merchandise discount chain, has purchased five Dry Goods stores in the Philadelphia market. It will reopen the units as Value City stores in late summer or early fall, according to Jay Schottenstein, vice chairman of the board and chief operating officer.

Schottenstein outbid Burlington Coat for the Dry Goods stores in a federal bankruptcy court proceeding. Last November, The Dry Goods, an apparel off-pricer, filed a Chapter 11 petition to reorganize.

Schottenstein, who would not disclose the purchase price, also acquired the entire inventories of the five Dry Goods stores, plus the inventories of the last two remaining stores, which were not put up for sale, he added.

The five 80,000-square-foot to 100,000-square-foot Dry Goods stores are located in

(Continued on page 81)

Bigg's Plans 3 New Stores To Anchor Off-Price Malls

CINCINNATI — Bigg's is set to anchor three off-price and mixed-use shopping centers due to open over the next three years, one in Denver that will mark the hypermarket's expansion outside of its home here and two in nearby Louisville, Ky.

Bigg's plans to open at least three other hypermarkets, including another in Denver and one in Tampa Bay, over the next few years.

The decision by Bigg's to anchor the three off-price malls denotes a growing trend in the shopping center field whereby hypermarkets are used as the full-line retail attraction for outlet and multi-use malls. Hypermarkets' marketing of foods and general merchandise and their avoidance of the term discounter in favor of such expressions as everyday low price makes them a favorite candidate to anchor such shopping centers.

The three Bigg's, one to open in each of the next three years, will double the chain's count to six units—five hypermarkets and one warehouse food store. Bigg's, which has two hypermarkets and one food-only store in Cincin-

(Continued on page 82)

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MARKETWATCH

Wal-Mart Delays Hypermarket Opening

BENTONVILLE, Ark. — Wal-Mart has delayed the opening of its fourth Hypermart USA, a 268,000-square-foot unit in Kansas City, Mo., to early 1990. The opening, first slated for later this year, was pushed back because of construction delays and to avoid the possibility of not being at full strength for the holiday buying crunch. The unit's merchandising will reflect the fact that it will be in Benjamin Plaza, a new office complex/strip center across the road from Bannister Mall, Kansas City's most popular traditional mall which has a Sears as one of four anchors.

Sears, NBC in Joint Promo

CHICAGO — Sears and NBC have joined forces in a contest designed to boost the retailer's store traffic while increasing viewing of the TV network's fall prime-time programs. The venture's cost wasn't announced, but it will be based on traditional promotions used by both firms. The sweepstake is similar to one announced last month by K mart and CBS (see DSN, May 22, page 1), with ABC also reportedly considering a promotion with an unidentified retailer. The Sears NBC campaign—"America's Brightest Stars—NBC, Sears and You"—will begin Sept. 3 and is expected to generate over 5 billion gross impressions from TV spot ads and the retailer's promotions in circulars, stuffers in credit card mailings, in-store banners, and posters and contest entry forms available in the stores. Participants have to answer questions about the NBC TV shows, with answers in the weekly Sears circulars.

Two Top Executives Leave Brendle's

ELKIN, N.C. — Two top Brendle's executives have left the 40-store cataloger. William F. Cosby retired this month as senior vice president of merchandising to pursue real estate interests while James S. Overstreet resigned last month as vp of operations to pursue other business interests, the company said. Brendle's sales last year jumped 14.5 percent to $261.3 million from $228.2 million, while net income, before reserves for the closing of three stores, rose 7.4 percent to $4.2 million from $3.9 million.

Arapaho Opens Denver Megastore

DENVER — Arapaho Office Express opened a 29,000-square-foot unit in downtown Denver as the city's largest office supply megastore. An American Indian enterprise, the venture is owned by Ava Hamilton (left), a member of the Southern Arapaho tribe, with a minority interest held by Jirka Ryssavy (right) a Boulder, Colo., businessman and top officer of The Office Place, a Colorado office supply discounter. Arapaho will donate a portion of its profits to American Indian business and cultural activities.

Minitel Offers Gateway to World

NEW YORK — American computer users can reach Minitel, the French computer information and shopping service, through a local phone call using free software provided by the videotex service. Minitel expects to become a gateway to similar services in Belgium, Italy, Spain, West Germany and Finland by year-end.

Experimental Coupon Program Underway

STAMFORD, Conn. — An experimental supermarket electronic couponing program, designed by Citicorp Information Systems, is being expanded to include rebates and bonus certification at El Monte, Calif.-based Vons Grocery Co. Shoppers who have a special card will receive rebates for coupons that have been electronically stored in computers. Cardholders will also get bonus certificates based on their past shopping history, with the incentives targeted to counter competition from new stores and encourage casual customers to become intensive shoppers.

Guide to Bar Code Standards

PITTSBURGH — The Federation of Automated Coding Technologies has issued a "Bibliography of Bar Code Specifications and Application Standards." The free publication lists the prices, types of symbologies used and ordering information for standards and specifications in 50 industries, including retailing, grocery manufacturing and distribution. The publication is available from AIM USA, 1326 Freeport Road, Pittsburgh, Pa. 15238. Phone: (800) 338-0206. Fax: (412) 963-8753.

1st Quarter Results Roundup

Wal-Mart Cites Apparel for Surge; K mart Blames Weather for Slump

Nationwide DSN Report

A sampling of first quarter results showed that Wal-Mart may be third in sales among both discounters and mass merchandisers but ranked first in terms of growth rates for both sales and operating profits.

Wal-Mart enjoyed a first period sales growth of 25 percent to $5.37 billion from $4.28 billion in the year-earlier period. Operating profits increased even more—29 percent—to $314.7 million from $243.9 million in the first quarter of last year.

In announcing results, president and chief executive officer David Glass explained that improved apparel sales and better in-stock positions drove revenues. Improved expense control and better inventory management enhanced profits.

In comparison, sales for K mart, the nation's largest discounter, rose 3.9 percent to $6.07 billion from $5.84 billion. Operating profits declined 22.7 percent to $147 million from $190.2 million.

Chairman Joseph Antonini attributed the profits slump to cool weather in March and early April which affected sales of patio equipment, green goods and apparel.

At Sears, the nation's largest retailer, sales rose 11.9 percent to $6.76 billion from $6.04 billion a year ago. Net profits of its merchandise group increased to $33.8 million from $18.7 million before an accounting change for income tax reporting.

After that accounting change, Sears restated its 1988 first quarter results to show a net profit of $369.8 million.

Sears' results include a full month of its new everyday low price policy instituted March 1. "We are delighted with consumer response,

(Continued on page 82)

OfficeMax Enters Buffalo Market

SOLON, Ohio — OfficeMax, pressing ahead with its plan to open a dozen units this year, unveiled two megastores last month, one of which marked the chain's entry into the greater Buffalo, N.Y., area.

The first 23,000-square-foot Buffalo OfficeMax is located in the Maple Ridge Centre in suburban Amherst. The second store, scheduled to be opened later this month, will be in the Union Road Plaza Shopping Center in suburban Cheektowaga.

The other OfficeMax megastore opened last month was a free-standing 25,000-square-foot unit in the Southfield suburb of Detroit, the chain's second store in the Motor City.

The three stores include 1,500-square-foot Inacomp Computer Center sections, which OfficeMax unveiled in its first Detroit store, opened in March in the Madison Place Shopping Center in suburban Madison Heights.

OfficeMax includes Soft-

(Continued on page 80)

Costco, Price Savers Moves Exemplify Club Maturity

Nationwide DSN Report

LOS ANGELES — The maturation process of the membership warehouse club industry was further illustrated by two recent events at Costco and Price Savers.

Seattle-based Costco called for a redemption of its convertible subordinated debentures, while The Kroger Co. completed the sale of Price Savers for an undisclosed price.

Kroger's sale of Price Savers is part of a financially defensive restructuring move begun by the parent company last October. Kroger, however, still maintains a 40 percent interest in the membership warehouse club chain, along with current Price Savers executives.

Since initial announcement of the pending sale, Price Savers has been scaled back from 16 locations to 13 sites via the sale of three Cincinnati area warehouses to Wal-Mart for its Sam's Wholesale Club operation. The move halted the Salt Lake City-based company's eastward march, and its attention now focuses on the West Coast, where Price Savers will open three sites this year.

For Costco, the financial move allows the 53-unit warehouse club chain to improve its balance sheet, company chief financial officer Richard Galanti told *DSN*.

By taking a $108.5 million outstanding bond and prompting conversion of the debt to common stock, he said Costco can reduce its debt, increase equity and save money on yearly interest payments. Galanti said Costco was able to make this move now because its stock is trading about $5 above the $18 redemption price of the debentures, making the conversion to stock especially favorable for bond holders.

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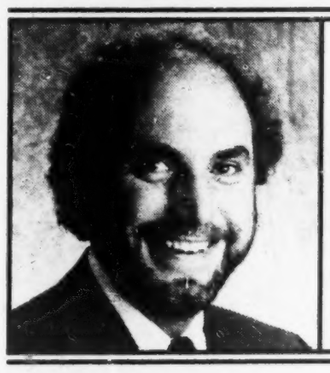
EDITORIAL

Welcome the New Breed of Discounters



TONY LISANTI
Editor

Again and again, retailers, analysts and other industry observers talk about the demise of discounting by comparing today's top chains with the top chains of 10 years ago. One can certainly make a dramatic point by stating that only 10 of the top 20 chains in 1979 are still around.

However, that statistic is only part of the story. Nobody will argue the fact that the world of discounting has changed and continues to change. What I don't understand is why everyone memorializes the chains that aren't around, but few praise the chains that have survived and grown.

Furthermore, what about giving credit to all the retailers that weren't even in existence in 1979 and are thriving in today's competitive marketplace? Gone are Woolco, TG&Y, Gemco, Fedmart, King's, Korvettes, Two Guys and others. But in their place are such chains as Price Club, Sam's, Costco, TJX Cos., Marshalls, Circuit City, Toys "R" Us, and others, such as Staples and Sports Giant, that make up a new breed of discounters.

In the past 10 years, entrepreneurs have identified growth in specialty categories. Almost every major merchandise category offered by a full-line discounter has given birth to a plethora of specialists—auto parts, hardware, electronics, toys, apparel, H&BA, and most recently, stationery and office supplies. This newest segment now numbers a dozen chains that were virtually non-existent three years ago.

In 1979, the membership warehouse club segment had just come into existence. In 1989, the segment will account for almost $15 billion in sales.

In 1979, there were only eight chains that topped the billion dollar sales mark—six chains barely topped it, one hit $2.8 billion and K mart topped $13 billion. In 1989, over 20 chains will top the billion dollar mark. In fact, K mart's sales of about $27 billion in 1989 exceed the combined sales of the top 20 chains in 1979.

In 1979, total discount sales were $55 billion. In 1989, sales for discounters will top $85 billion.

In 1979, there were no hypermarkets operating in the United States. In 1989, there will be more than 10 hypermarkets open. And the volume of just one of these stores equals the total volume of about 10 to 12 discount stores in 1979.

In 1979, the 100th ranked chain in *DSN*'s list of the top 100 chains posted sales of 11 million. In 1989, the 100th ranked chain will post sales of about $140 million.

I could go on and on with these types of statistics, but I'll save it for *DSN*'s annual State of the Industry Report coming in the July 3 issue.

The Russian novelist Aleksandr Solzhenitsyn stated that "the most difficult thing about the past is trying to decide what to take with you and what to leave behind."

I believe it's time to leave the chains of 1979 behind and welcome the new breed of discounters that will reshape the industry during the 1990s.

WASHINGTON REPORT

Texas Bill Would Ban Low-Price Promotions

KEN RANKIN

There are people down in Texas who would like to make it illegal for discounters to engage in vigorous price competition. Indeed, the state Senate is seriously considering legislation making it a crime to sell goods below cost.

Ostensibly, the Texas bill is targeted at curbing "predatory pricing"—which is an "Alice in Wonderland" practice that inefficient retailers often cite to explain why they are unable to compete successfully in an open marketplace.

The pending legislation would not only make below-cost sales a misdemeanor in Texas, but would also encourage "victims" of this practice to get court injunctions and seek damages from their lower-priced rivals.

Supporters of the measure contend that it would prohibit only below-cost pricing activities intended to injure competitors. The legislation would make any below-cost sale "prima facie" evidence of an intent to injure competitors.

The theory of predatory pricing implies that a deep-pocketed retailer could price its products below actual costs for a prolonged period in hopes of driving its smaller, less well-financed competitors out of the market. In practice, however, this theory doesn't hold up. As the U.S. Supreme Court put it, "predatory pricing schemes are rarely tried, and are even more rarely successful."

In urging the Texas Senate to reject the pending bill, FTC officials at the commission's Dallas regional office argued that the likely effect of the legislation would be to "chill price competition that would benefit consumers."

Federal antitrusters warned that the bill's real aim is to "prevent the use of 'loss leaders' " which they described as a legitimate "competitive device commonly used by retailers to encourage consumers to shop."

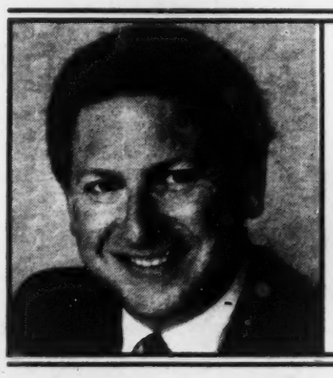
In addition to saving consumers money, "loss leaders" are often used "as a competitive device to facilitate the entry of new competitors into a market or the introduction of new products," FTC officials said.

Make no mistake: neither the FTC nor the U.S. Supreme Court can be described as sympathetic to the competitive pressures facing discount retailers. Their reluctance to end resale price maintenance schemes is an indication of their true position.

But by taking sides against restrictions on below-cost sales, the FTC and Supreme Court have acknowledged that there are benefits to price competition in the marketplace.

IMRA PRESIDENT'S CORNER

Thanks to Everyone, See You in San Diego



RICHARD HERSH

It seems hard to believe that the 1989 IMRA annual convention is over and we begin again on the 1990 convention.

In many ways, the Orlando convention was a turning point for the association; not only did we once again have record attendance, but in a subtle way, we moved the convention back to the early days of the then-MRI. The inclusion of the round table discussions for merchandise managers and the continuing success of our breakfast for retailers and non-exhibiting associates added important elements to the convention.

It is the goal of IMRA to serve all of our members in an equal way, both retail and associate. The changes in this year's convention and those to follow are continuing attempts to make IMRA an association where no one member or group of members is more important or catered to than another.

We have been fortunate over the years to be able to represent both large and small members and to have those members serve on the association's board of directors. Not only does this allow for a more balanced organization, it also affords all members opportunities to learn from each other.

Next year is only 10 months away, and I would be remiss if I did not thank three key persons for their dedicated work and concern for the convention in Orlando—Steve Goldberger, who has served with incredible distinction as chairman the past two years, Bill Atkinson, the new chairman, and Dick Price, chairman of the Associate Member Committee. While there are dozens of persons who could be singled out for recognition, it is perhaps better to list only these three and thank everyone else with great admiration for their work, support and assistance.

As I deal with other organizations, I see the kind of relationships that the retailer and the suppliers have in this industry. We should feel proud of the partnership which has developed over the years . . . it is indeed unique.

To all of you who were in attendance in Orlando, all of us at IMRA want to thank you for your support and to those of you were unable to attend . . . we look forward to seeing you next year in San Diego.

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DSN INSIGHTS

CE SPECIALTY CHAINS

Chains Hold Up as Market Softens

Nationwide DSN Report

The big got bigger, but some of the smaller CE chains got more profitable last year. The near-universal slowdown in the CE market was clearly in evidence in lackluster sales gains, slowed expansion rates, deteriorating profits and, in a handful of cases, near bankruptcy. But, there was good news for CE retailers as well.

Circuit City, CE's Wal-Mart, continued its dominant ways, racking up a 27 percent sales gain, to $1.72 billion, and entered a new major market, Miami. The 123-store chain continued its winning ways, setting records early in 1989, including a 26 percent sales gain in April. Early in May, Standard & Poor added the chain to its stock index of most-watched stocks.

Most chains, including Highland Superstores, Silo, Best Buy, Newmark & Lewis, Tops Appliances and Fretter, all had, to some extent, healthy years. Best Buy, primarily because of the expense of closing down its video rental departments and expanding its audio software departments, suffered through a poor fourth quarter, but still closed out the year with record sales. Profits declined to a little over $2 million, but Best Buy spokesman Tom Nelson noted that he expects a rebound this year as the company expands its CD and prerecorded cassette selection.

Nelson said that phasing out video rental departments has freed sales footage for more profitable products, like home office products. Durables, which dipped in 1988, should come back, at least slightly, he added.

Newmark & Lewis, which last year showed a net loss of $2.5 million, returned to profitability this year, with profits of $4.6 million on slightly lower sales of $242.4 million.

The company has been competing in one of the most overstored and bitterly competitive markets in the country, metro New York, and its turnaround may be based, in part, on the declining fortunes of perennial market leader Crazy Eddie. However, Newmark & Lewis president Richard Lewis noted that the company has had great success with its home office and cellular telephone categories.

Luskins, the Baltimore-based retailer, also returned to the land of profitability, but just barely. After posting a $3.1 million loss a year ago, the company showed a small profit this year, on sales of $122.9 million, down from $127 million last year. The company appears to be concentrating on consolidating its operations, limiting expansion to one or two new stores this year, after opening only one last year.

Highland Superstores, the nation's second-largest CE chain, closed in on $1 billion in sales, but saw profits cut nearly in half, from $13.9 million last year to $7.2 million. Comparable store sales dropped 1 percent this year, a hallmark of the increasingly competitive marketplace. Last year, comp store sales plummeted by 10 percent. Gross profit was up versus the previous year, but the company stated that it was "still low when compared to historical levels."

Fretter, the Livonia, Mich.-based retailer, reported slightly lower sales, but profits held steady at $1.3 million, down slightly from $1.4 million a year ago. According to Douglas Hickman, vice president, marketing and advertising, 1988 was "a year of consolidation" during which the company streamlined its merchandise and shifted operations toward stronger product areas, like home office, component audio, car stereo and cellular telephones.

"We're very happy with our store size [about 12,000 square feet on average, depending on market]," Hickman said, "and we think the format is a major strength in competing." He expected increased sales in home office, home security, audio components, air conditioners and cellular phones, but noted that real innovations, like HDTV, are too far away. Fretter plans to work on mature product areas, like VCRs and microwave ovens, to "make the [declining demand] curve a little less steep," Hickman said.

Silo, which last year blitzed Chicago and St. Louis, has been quiet of late. In fiscal 1989, which ends in June, the company is expected to top the $800 million mark, and industry sources expect Silo's calendar year to approach $1 billion, as the earnings from the 40 or so stores the chain opened in calendar 1988 start kicking in.

Silo's Expansion to Slow

Silo will continue to expand this year, but at a much slower rate than was the case in the past two years. The chain expects to open fewer than 20 stores in 1989.

Tops Appliances, the New York metro superstore operation, opened its first new store in years in the first quarter of 1989, and plans to add another within the year. Since its stores have the industry's highest per-square-foot sales, expect Tops to become a major force in the electronics industry, with only four locations.

American TV, Madison, Wis., should see a 20 percent sales gain in fiscal 1989, which ends in June. Revenues are expected to approach $240 million, up from $199 million a year ago. The company will not add any new stores this

(Continued on page 69)

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions) 1988	Sales (In Millions) 1987	Percent Change	No. of Stores Jan. 1989	No. of Stores Jan. 1988	No. of Stores Jan. 1990 proj.
Circuit City, Richmond, Va.	$1,721.0	$1,350.0	27.0%	125	105	135
Highland Superstores, Plymouth, Mich.	910.7	753.4	21.0	84	72	97
Silo, Philadelphia, Pa.	815.0*	650.0	25.0	210	150	227
Best Buy, Minneapolis, Minn.	507.0	439.0	15.0	41	40	51
Tops, Secaucus, N.J.	320.0*	280.0	14.0*	2	2	4
Crazy Eddie, Edison, N.J.	254.0*	317.0*	(20.0)	43	42	25
The Federated Group,[1] Sunnyvale, Calif.	253.0	437.0*	(42.0)	61	65	0
The Wiz, Brooklyn, N.Y.	250.0*	218.0*	15.0	26	24	28*
Newmark and Lewis, Hicksville, N.Y.	238.1	242.4	(1.7)	52	46	57
American TV, Madison, Wis.	235.0*	198.7	18.3	7	6	7
Fretter, Livonia, Mich.	231.2	250.3	(7.6)	54	47	60
Audio Video Affiliates, Dayton, Ohio	195.7	211.7	(7.5)	125	114	130
Wall to Wall Sound & Video, Cinnaminson, N.J.	152.1	132.4	14.9	107	107	107*
The Good Guys, San Francisco, Calif.	149.4	120.0	24.5	18	15	22
Trader Horn, Hasbrouck Heights, N.J.	140.0*	140.0*	0.0	15	15	16
Luskins, Baltimore, Md.	122.9	127.0	(3.2)	45	44	46
Fred Schmid, Denver, Colo.	100.0*	93.4	7.5	19	17	16
Brick Church, Orange, N.J.	100.0	100.0	0.0	40	22	40

[1]*A discontinued operation of Atari Corp.*

**DSN estimates*

All figures for last completed fiscal year ended in first quarter of 1989, except American TV (June 30, 1988), The Good Guys (Sept. 30, 1988) and Tops (calendar year 1988)

Source: DSN research; Company reports

Prospects for the rest of the year are not bright, with only home office likely to continue growing. Most CE retailers are hoping that a knight in shining armor in the form of a hot new product will appear at CES to bail them out of what could be a disastrous second half.

IN THIS SECTION

Denver's Fred Schmid Joins Superstore Bandwagon 69

Top CE Retailers Hang Tough Despite Deteriorating Market

(Continued from page 67)

year, after opening one last year. Stores range in size from 36,000 square feet to over 100,000 square feet.

The Wiz, another major New York metro retailer, may end up the primary beneficiary of the declining sales at Crazy Eddie. With locations roughly equivalent to the erstwhile market giant, The Wiz stands to capture much of New York's walk-in traffic. Last year, the company's sales increased, but the company would not say by how much. A good guess might be 15 percent to 20 percent.

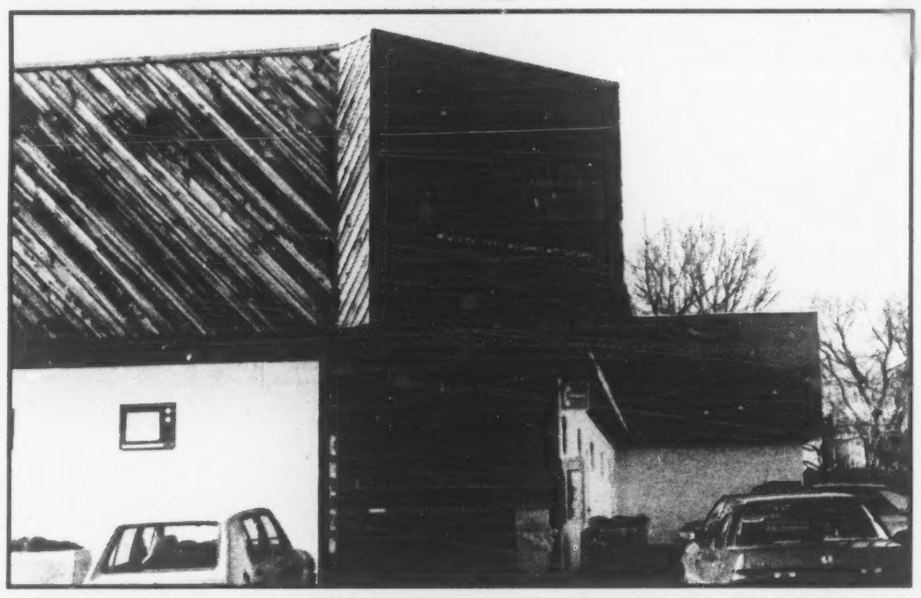
Crazy Eddie appears to be in limbo. After announcing a stronger than expected Christmas this year, the retailer reported that sales stopped dead on Jan. 1 and ended up closing 17 of its 43 stores early in 1989.-

The 17 stores were termed "least profitable," and financial results were unavailable at presstime, but management has evidently taken a "leaner and meaner" approach. Only time will tell if this strategy will save the beleaguered chain.

The Good Guys, another West Coast-based chain, reported a strong 25 percent sales increase over last year, and earned $5.45 million, up from $4.92 million a year ago.

In all, retailers are facing a tough, competitive market, and very little, apart from home office and, to a lesser extent, audio components, has appeared on the market to pick up the sales lost with the maturing of the VCR and microwave categories. Nevertheless, CE retailers, on the whole, seem to have held their own through a rocky 1988.

Prospects for the rest of the year are not bright, with only home office likely to continue growing. Most retailers are hoping that a knight in shining armor will appear at CES to bail them out of what could be a disastrous second half, and products as disparate as still video cameras, 16-bit video games, recordable CD and new, low-cost fax machines seem to be the brightest hopes available. Most national retailers fear that those products will not be enough.



Circuit City continues to perform well despite a tightening market. The Richmond, Va.-based chain posted a 26 percent sales gain this April and recently opened its first Miami unit. (DSN photo)

Fred Schmid Launches Aggressive Superstore Construction Program

DENVER — Aiming to defend itself against possible incursions into its market by national CE chains like Circuit City, Fred Schmid Television and Appliances, a $100 million chain based here, has undertaken an aggressive superstore construction program.

One problem though. "While we were trying to fight off outsiders, we found out we had a Trojan Horse in our own back yard," said Schmid chairman Don Andresen. That horse was Sears and its Brand Central power format, which will probably hit Denver within the year. In a market plagued by recession and already inhabited by Silo, Ward's Electric Avenue and Tandy's McDuff's, no one is looking forward to the coming of Brand Central.

Nevertheless, Andresen said, some good could come of the new competition. "When they get here and start promoting, it could raise perception of CE and appliances," he said. Schmid plans to get a share of any resulting market increase.

In the past year, the chain increased sales by 14 percent, and Andresen predicts 20 percent to 25 percent growth in fiscal 1990, once the chain's three 25,000-square-foot superstores open this fall. Also, Schmid will go into several new businesses, including car audio sales and installation, home office, home security, small appliances and cellular telephones.

The company experimented with home office at Christmas, and results were good enough that Andresen plans to roll out a department in all 19 stores. Cellular telephones have performed well in a very brief time in the stores.

Car audio may have a significant impact on Schmid's competitive situation. At risk of alienating its older, more established customer base, most of whom have grown up with the 77-year-old chain, Schmid has decided to try to appeal to younger consumers. "Teenagers spend a lot of money on

(Continued on page 70)

Denver's Fred Schmid Television and Appliances hopes that a new superstore format, with up to 15,000 square feet of selling space, will strengthen its competitive position against CE powers like Electric Avenue and, soon, Sears' new Brand Central power format.

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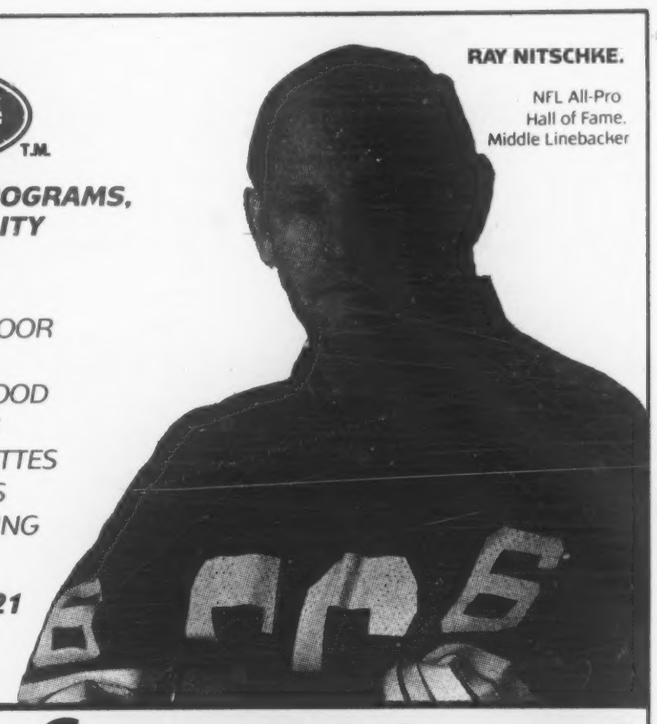

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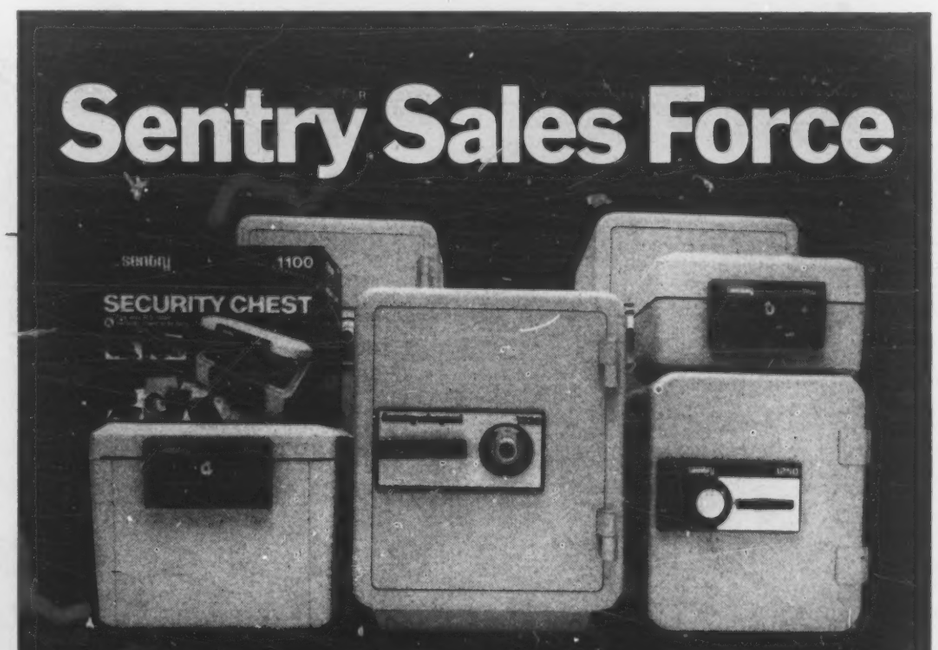

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Wal-Mart Surges While K mart Slumps in 1st Qtr.

(Continued from page 2)
Edward A. Brennan, chairman and chief executive, said in announcing the results. "The results confirmed our belief that everyday low pricing is an idea whose time has come."

JCPenney reported that sales rose 5.2 percent, although pretax profits slipped 5.5 percent because of write-offs for its discontinued Telaction teleshopping service. Sales totaled $3.34 billion, compared to $3.17 billion for the same period in 1988.

Operating profits increased to $212 million from $198 million. But a $32 million write-off for discontinuing Telaction, plus provisions for income tax, cut net income by 2.2 percent to $128 million from $131 million a year ago.

Even though it scrapped Telaction, Penney continues its catalog TV shopping service, renamed the JCPenney Television Shopping Channel from Shop Television Network.

Sales for Montgomery Ward, third of the mass merchandisers, totaled $1.02 billion, an 8.2 percent increase from $939.4 million from February through April of 1988. Sales of its Electric Avenue specialty division were the strongest in April, said chairman and ceo Bernard Brennan, followed by Home Ideas and apparel. As a private company, Montgomery Ward doesn't release profit results.

Dayton Hudson reported that sales of its Target discount store division logged an 11 percent gain to $1.49 billion from $1.35 billion. Dayton Hudson declined to release operating income on a quarterly basis but did acknowledge that profits had declined because of the expenses of acquiring 30 stores from Gold Circle and converting them to Targets in the Southeast.

Hills also blamed the conversion costs of renovating and reopening 33 Gold Circle stores for its operating loss of $5.5 million for the quarter, compared to a $4.2 million operating profit a year earlier. Sales for Hills, including those of the former Gold Circle units, rose 25 percent to $397.9 million from $318.5 million a year earlier.

Along with Wal-Mart, Toys "R" Us enjoyed the distinction of seeing profits rise faster than sales in its first period.

Operating profits rose 20.6 percent to $43.4 million from $36 million in the first quarter of 1988. Sales increased 18.6 percent to $767.7 million from $47.2 million.

As the world's largest toy retailer, TRU operates 358 toy stores in the United States, 52 international toy stores and 124 Kids "R" Us children's apparel stores.

Results for Ames and its Zayre division had not been released at presstime.

First Quarter Results of Top Discounters, Mass Merchandisers

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Operating Income (In Millions) 1989	Operating Income (In Millions) 1988	Percent Change
Sears	$6,755	$6,037	11.9%	$ 33.8	$ 18.7	80.7%
K mart	6,068	5,841	3.9	147.0	190.2	(22.7)
Wal-Mart	5,373	4,282	25.5	314.7	243.9	29
JCPenney	3,341	3,174	5.2	212.0	198.0	7
Target	1,489	1,346	11.0	NA	NA	—
Montgomery Ward	1,017	939	8.2	NA	NA	—
Toys "R" Us	768	647	18.6	43.4	36.0	20.6
Service Merchandise	565	527	7.3	(4.4)*	(12.9)*	65.8
TJX Cos.	466	397	17.6	18.5*	18.0*	2.8
Hills	398	318	25.0	(5.5)	4.2	(232)
Caldor	318	284	12.0	NA	NA	—
Venture	268	257	4.1	NA	NA	—

*—net earnings

NA—not available

Source: DSN research; company reports

Bigg's Moves into Off-Price Malls

(Continued from page 1)
nati, is owned by Hyper Shoppes, a venture headed by Euromarché, a French hypermarket chain, with participation by other French firms and Super Valu Stores, parent of ShopKo and Twin Value.

Construction is almost finished on the 250,000-square-foot Bigg's to open this fall as one of the anchors for the $100 million, 700,000-square-foot Thornton Town Center in the Denver suburb of Thornton.

The L.J. Hooker Co., the Atlanta-based shopping center developer arm of the $1.5 billion Hooker Corp. Ltd. of Australia, is building the multi-use Thornton mall, along with the two Louisville centers that will also house Bigg's hypermarkets. The two Louisville centers are in the planning stage, a Hooker representative said.

The Thornton mall will include three other as yet unnamed department stores, a manufacturers' outlet area with 60 stores, and such other facilities as a movie theatre and an entertainment center with a miniature golf course, carousel and midway rides.

Slightly smaller 200,000-square-foot Bigg's units are due to go into the two proposed Louisville centers. The 450,000-square-foot Middletown Station Center is scheduled to open next year, while the 500,000-square-foot Crown Pointe Plaza is planned for 1991.

Last year Bigg's beefed-up its presence in Cincinnati, which dates back to 1984, by opening a 250,000-square-foot hypermarket in Hooker's $200 million, 1.45 million-square-foot Forest Fair Mall and a 65,000-square-foot warehouse food store. Other anchors in the Forest Fair Mall are three traditional department store chains, B. Altman and Bonwitt Teller, both owned by Hooker, and Parisian, in which the developer holds a substantial interest.

The opening of Bigg's in Denver, along with the opening of the Thornton Town Center, heats up the retail battle in the Mile High city. There are already over two dozen discount stores—K marts, Wal-Marts and Targets—in the five-county, 1.8 million population Denver market, along with five Service Merchandises, three PACEs, two Buyers Clubs and a number of specialty discounters like Marshalls, Silo and BizMart.

The hypermarket's immediate full-line discounter competition in Thornton includes a Wal-Mart across the street from the Thornton Town Center and a Target unit a few blocks away.

Thornton Town Center is one of two off-price malls set for the immediate Denver area. The other is an as yet unnamed factory outlet mall that is planned for the Brookside Business Center in Castle Rock, Colo., about 30 miles south of Thornton. Fall 1990 is the projected opening date for that center.

Smaller outlet malls are also set for communities just outside the greater Denver market area.The Silverthorne Factory Center opened with about two dozen stores three months ago in Silverthorne, Colo., 65 miles west of Denver. The Outlet Shoppes mall, meanwhile, is scheduled to open later this year with about two dozen stores in Longmont, Colo., which is 30 miles north of Thornton.

What Bigg's and the off-price malls are eyeing isn't just the shoppers who live in the greater Denver area. Their marketing targets include the approximately 8.1 million tourists that visit the area every year, as well as shoppers from as far away as Cheyenne, Wyo., 100 miles north on Interstate 25, which runs right past the Thornton Town Center.

Target Adds Headquarters Art Gallery

MINNEAPOLIS — Advertising employees at Target Stores are expected to become more creative now that a new art gallery has been installed in their department at headquarters.

"Art in the workplace," is the contribution of students from the Minneapolis College of Art and Design (MCAD). Right now the "gallery" consists of a wide assortment of paintings and some three-dimensional art forms.

The goal of the joint venture between Target and MCAD is to both brighten the look of the advertising department and to give students the opportunity to expose their work to the public. In addition, it is hoped that the enhanced decor will promote creativity among Target employees.

John Pellegrene, senior vice president of marketing at Target, said in a published statement that in order for Target to be the best discount retailer, "employees need to feel stimulated, energized . . . This is especially important to people in the advertising field, who are constantly challenged to create new, fresh work."

While the artwork does not currently address a given subject, Teresa Peterson, manager of special events and publicity, said it's likely that future displays will represent a given topic or theme.

"The first project will probably be the Trans-Antartica Expedition. We are major sponsors of this event since the only American that is part of the six-member dog sled team is from Minneapolis," Peterson said.

Target is making donations to the Minneapolis art school in exchange for the artwork. When students submit work addressing a subject selected by Target, their work will be judged and prizes awarded, Peterson said.

"When John Pellegrene was at Dayton's there was a similar gallery in the executive area," Peterson said, "and it really brightens the place up."

Like so many offices, headquarters at Target is a series of carpeted cubes. In Target's case, it is in a racetrack format, Peterson noted. The maze of offices had lacked identity before the art gallery was developed.

Club Wholesale Gears Up

(Continued from page 3)
other similar bakery items.

The store also includes three membership services that will be offered at the other four units. They are United Parcel Service shipping, faxing and delivery within a 25-mile radius, free for orders of at least $500 and for a $15 charge for lesser purchases.

Club Wholesale also instituted a convenience card that can be used to charge goods. It's backed by Rocky Mountain Bank Card, has no annual fee and a 19.5 percent fixed interest rate.

A representative said the wholesale club doesn't accept other credit cards. The convenience card gives business members the option of charging purchases and then deciding if they want to pay for the merchandise at the end of the month without any interest or through time payment at a low interest rate.

The new memberships include two for group members and two for business members. The Green group membership is offered free to employed or retired people living in one of the store markets for at least six months. They pay 5 percent above the wholesale price. The Silver group membership costs $30 but enables cardholders to buy at the wholesale price.

The Gold card is the basic business membership that costs $26.25 plus a yearly $10.50 fee and is available only to business owners, who pay the wholesale price. Company Plus, which has the same cost structure, allows all employees of a firm to buy at the wholesale price.

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